



Postal savings banks should be tapped to strengthen financial systems in emerging Asia

Postal savings banks should be developed as a key factor of the economies in emerging Asia. Building or rebuilding postal savings banks would help modernize and deepen financial systems that are still vulnerable to the whims of global capital flows, as well as provide financial services to citizens who lack access to them.

A recent book published by the Asian Development Bank Institute, *Postal Savings—Reaching Everyone in Asia*, suggests using the success of postal savings banks in countries like Japan as an example for emerging countries in Asia.

When citizens deposit their savings through postal savings banks, the postal authorities then invest that money in government bonds or other financial instruments issued in the local currency by governments and companies.

Governments and local companies can then rely less on bonds issued in foreign currencies. The Asian financial crisis of 1997–1998 was in part caused by an over-reliance on foreign currency borrowing. When the foreign currencies—primarily the US dollar—began to rise against local currencies, governments and companies across Asia found their debts growing fast in local currency terms.

Emerging Asia is far less addicted to foreign currency borrowing than it was 20 years ago, and central banks have collected large stockpiles of foreign currency to offset any new currency crisis.

Even so, the authors of the book point out that foreign currency borrowing is still a major source of funding across the region.

Postal savings banks can also help develop financial systems, alongside traditional banking and financial markets.

In many countries in emerging Asia, traditional banking systems and financial markets are not available to the poor segments of society. Small-scale deposit and insurance plans offered at post offices open the financial system for everyone.

The money collected in those savings and insurance plans can be invested in local bond and capital markets, adding liquidity and helping to deepen local markets.

Governments can also direct postal savings funds to specific areas such as providing capital for small- and mid-sized companies or local cooperative enterprises. These smaller enterprises often find it difficult to attract bank loans or raise money through local capital markets.

Post offices across much of emerging Asia already use the system of postal savings banks. Colonial powers built up postal systems in the countries they ruled and some of those networks still exist, while others have been established since the colonial powers left.

Where they don't exist, the author suggests setting up networks to offer postal savings deposits and insurance plans especially in the big cities where much of the populations in emerging Asia now reside.

This podcast is based on [*Postal Savings Bank and Macroeconomic Stability in Asia*](#), by economist Anwar Nasution of the University of Indonesia in Jakarta. His work is included as a chapter in the Asian Development Bank Institute book, [*Postal Savings—Reaching Everyone in Asia*](#).

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